

Corporate Report

NO: R295

COUNCIL DATE: December 6,

2004

REGULAR COUNCIL

TO: **Mayor &
Council** DATE: **December 3,
2004**

FROM: **General Manager,
Engineering** FILE: **8710-20
(Heritage)**

SUBJECT: **Fraser Valley Heritage Railway and
Federal-Provincial Infrastructure Program**

RECOMMENDATION

That Council approve:

1. The City commit to frontend the local contribution of up to \$0. 5 million on behalf of the Fraser Valley Heritage Railway (FVHR) to allow the existing Infrastructure Application to be considered for funding.
2. That interest not apply to the frontending.
3. That 1 and 2 above be conditional on the Fraser Valley Heritage Railway Society committing to fund-raise and repay the frontended amount over a 5-year period and that FVHR secure an agreement with Southern Railway to operate on Southern Railway's track.

BACKGROUND

In early 2001, Council approved the submission of a number of Federal-Provincial Infrastructure Program applications. Two of these were subsequently successful, namely the Water Metering Program and the Learning & Discovery Centre. One of the applications submitted in 2001 was to seek funding for the Heritage Rail project. The scope of this application included the upgrading of track and overhead electrification to allow train cars to run from Sullivan to Cloverdale.

Very recently, the Province contacted the City to confirm if the project was still valid and whether local funding was in place as a final review of all original applications is being undertaken. This report deals with this local funding issue and the scope of a potential application.

At the time of the original application, local funding was not resolved and no City money, other than the funding towards the purchase of the rail car, had been committed. Also at the time of the original application, funding guidelines had not been finalized. Since that time, the Province has established that the maximum Federal-Provincial

contribution for any non-sewer/water project is \$2 million which, with a local contribution, would give a total eligible maximum project value of \$3 million. Additionally under the program, only fixed infrastructure is eligible for funding (i.e., funding identified to assist in acquiring the historic rail cars cannot be considered as a part of the local contribution).

Scope and Funding

Originally the scope had been envisaged as Sullivan to Cloverdale; however, in light of the current Highway 10 widening and track relocation, operation on this section would be delayed, likely until 2007 or later. An alternative section would be Sullivan to Newton, the estimated cost of which is in the range of \$1.2 to \$1.5 million. Extending this section yet further to Kennedy Heights would increase the project costs to the range of \$3.0 to \$3.3 million, both amounts including the upgrading of level crossings to passenger rail standards.

It is proposed that the City would commit to funding up to \$0.5 million local share on behalf of FVHR and enter into an agreement for FVHR to repay the City this local share over 5 years. Essentially, it would be an interest-free loan. In a recent meeting with the FVHR representatives, they stated that while they do not have any funds now, they are confident of being able to raise capital funds over time. Additionally, the City would only proceed once the FVHR has in place a firm and binding agreement with Southern Railway, outlining the terms and conditions for use of Southern Railway's track.

Staff have evaluated what scope of project to apply for. The FVHR would like to see the whole amount pursued; however, as neither the City nor the FVHR have any funding in place, the estimates are at a preliminary rather than detailed level (so could likely increase), and that the time limit on completing construction under the infrastructure program fund is tight, we believe the most prudent approach would be to pursue the Sullivan to Newton section at \$1.2 to \$1.5 million. We believe seeking the lesser level of funding improves the chances of approval under the Infrastructure Program.

The Community Charter allows assistance to businesses or organizations for the purposes of developing heritage resources. Although a specific source of funding has not been identified for this project in the currently approved 5 Year Financial Plan, once we receive funding from the Infrastructure Program, specific funding will be identified.

CONCLUSION

The Infrastructure Program provides a unique opportunity for the FVHR to leverage Federal and Provincial funding to upgrade an electric track to establish heritage passenger rail service between Sullivan and Newton. This will be a Tourist attraction and the project will provide additional safety upgrades at two level crossings. The problem is, however, that the FVHR does not have the local share of the cost currently available. It is proposed that the City frontend the local share subject to a commitment from the FVHR to fund-raise and repay the 'loan' amount.

Paul Ham, P. Eng.

General Manager, Engineering

PH:brb

c.c. - General Manager, Finance, Technology & HR